

Audit and Standards Committee - Tuesday 13 December 2022

2021/22 Statement of Accounts

Recommendation(s)

I recommend that:

- a. Members approve the 2021/22 Statement of Accounts as attached to this report.
- b. Members delegate authority to the County Treasurer in consultation with the Chairman to make any final amendments to the accounts as deemed necessary by the external auditors.

Local Member Interest:

N/A

Report of the County Treasurer

Report

Background

Summary

1. The 2021/2022 Statement of Accounts is attached as **Appendix 1** to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).

The Code of Practice is updated annually and for 2021/2022 there were no major changes.

Revenue Outturn

2. Services spent £1.381 million less than the budget for their day-to-day activities, this is 0.3% less than the revised budget of £505.0 million. This demonstrates our excellent financial management and good budgetary controls which have allowed spending to be so close to budget, a feature of a well-run council. The Contingency budget was only partially spent, leaving a total underspend of £3.984 million which has been

contributed to an earmarked reserve to be spent on inflationary pressures in 2022/2023.

3. The final outturn is very similar to the forecasts at the third and fourth quarters, when it became clear that the services with the greatest pressures were Children's Services and SEND Transport. There were also continuing costs of Covid during the year, and these have been funded from the specific grants received.
4. The Health and Care Directorate has seen the majority of the Covid-19 related financial impact and were mostly a continuation from 2020/2021, with the addition of assisting care providers with managing outbreaks. Due to reductions in demand as a result of the pandemic, the service made savings on its placements budgets. The service continues to manage its finances as part of the 5-year MTFS through careful use of reserves although there appears a very significant risk of unfunded costs of adult social care reform in future years. Overall, the Directorate has achieved a small underspend of £0.477 million in 2021/2022.
5. Children's Services has experienced an increase in the numbers of children in our care and also continued to incur costs related to Covid. Setting aside the financial impacts of Covid, which were funded from the general grant allocation, the service overspent by £1.463 million. During 2021/2022 the Families and Communities transformation programme was finalised, and the new design implemented from the end of October as planned. The redesign, which is informed by best practice, seeks to change both the practice and culture across the children's system and it will enable a whole system approach, bringing together children's social care, SEND and Inclusion, the Place Based Approach and commissioning.
6. In addition, there are significant transport costs in Education Services which has resulted in an overspend and this continues to be an area of pressure going forward. Additional money has been included in the 2022/2023 budget for this service area, in recognition of the pressures it faces.
7. In the Economy, Infrastructure and Skills Directorate, the service achieved an overall small underspend of £0.782 million, mostly relating to the climate change budget and additional income from Farms and Enterprise Centres.
8. Corporate Services has achieved a small underspend by the end of the year as a result of savings from vacant posts and additional income for Registrars, as people booked weddings which had been cancelled during the lockdowns.

9. The centrally controlled budgets underspent by £2.6 million at the end of the year, most of this relates to the unspent Contingency budget. The overall underspend will be contributed into earmarked reserves and set aside to meet inflationary pressures in 2022/2023.

Capital Outturn

10. In 2021/2022, our final capital spend was £111.4 million, compared to £134.4 million in 2020/2021. This investment was funded from a variety of sources including grants from the Government totalling £51.1 million and borrowing of £14.5 million.
11. The capital spend of £111.4 million includes £5.1 million of revenue transformational spend which has been capitalised and funded from capital receipts generated in year, in accordance with the Capitalisation Direction issued by the Secretary of State. The nature of this expenditure is revenue but will generate ongoing revenue cost reductions, this includes salary costs of staff supporting transformational activities and redundancy costs.
12. Despite the national lockdowns and restrictions required to deal with the pandemic, significant progress has still been made on a number of capital projects. Our achievements during the year include the following:
- a. Work is underway on two new schools, a primary school at Fradley Park and a first school at Park Farms.
 - b. Work on the Stafford Western Access Route has been completed.
 - c. The continued roll out of superfast broadband to rural and isolated communities.
 - d. Eastgate street regeneration project has made significant progress with the acquisition of the old County Courts building.
 - e. Economic development to extend the i54 Strategic Employment Site is continuing.
 - f. Continued work to maintain the County's rural spaces and footpaths despite the increased demands lockdown created.
 - g. ICT have successfully completed the Data Centre Network Refresh and made good progress on the Compute refresh.
 - h. Continue the process of rationalising farm assets and initiate a programme of reinvestment in existing stock.
 - i. In addition, continue the wider rationalisation of SCC property and its use in order to support MTFS decisions.

Interpretation and comment on the main financial information

13. The Comprehensive Income and Expenditure Statement shows the amount that services have cost to provide, and the amount of income received to fund them. A deficit on this statement means that the cost of services has not been covered by income and may need to be funded by taxpayers in future years. However, not all the charges in this statement are actual cash and these notional charges are required by the Accounting Code of Practice, these are shown in detail in Note 4. These notional charges mean that the figures in this statement are different from the final outturn figures described above. The outturn shows the cash position of services and how their spending compared with their budgets. This statement is showing a surplus on the provision of services of £98.2 million which is an increase from the previous year's surplus of £66.1 million. The net cost of services has reduced to £488.6 million in 2021/2022 from £524.4 million in 2020/2021. This reflects the reduction in anticipated demand in Health and Care and the increased demand in Children's Services, the net costs of these directorates are reflective of this situation. In addition, expenditure on insurance has reduced as schools are now part of the Risk Protection Arrangement run by the Department for Education.
14. The Balance Sheet shows the amount held in reserves, both usable and unusable, as well as the liabilities that will need to be paid in future years. The total of assets less liabilities in 2021/2022 is £990.6 million, an increase from 2020/2021 which was £403.5 million. The difference is £587.1 million and can be explained by various changes but the largest movement is in the pensions liability which has reduced by £429.9 million. It should be noted that this liability is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion. The liability is an estimate of the value of all the pensions that will need to be paid in the future, compared with projections of the Pension Fund's value. However, many factors will change between now and when the pensions are actually paid.
15. Other smaller movements include an increase in cash and short-term investments held, plus a reduction in debtors. These changes means there is more cash held on 31st March 2022 than the previous year, a fact which is also shown in the cashflow statement. Liabilities relating to the PFI schemes and long-term borrowing have reduced in line with expectations.

Reserves and Balances

16. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes. The cash-backed reserves are called

usable reserves while those which are for accounting purposes only are called unusable.

17. The Movement in Reserves Statement shows the final balances of the County Council's general fund and other reserves, and this statement shows the money available to support services in future years. The general fund balance is £47.3 million and other earmarked reserves are £328.7 million, of which £28.8 million relates to schools and cannot be spent on other services and £40.8 million is unspent revenue grants. This leaves an amount of £259.1 million which is earmarked for specific projects and risks. Overall, general balances have remained static during 2021/2022, which is in line with the MTFs and the intention to retain balances to mitigate the risks inherent in-service budgets.

Going Concern Assessment

18. In setting the County Council's budget for 2022/2023, it was important to maintain a watching brief on the impacts of Covid, and although no further allocations of general grant have been made, some residual costs remain. The refresh of our Medium-Term Financial Strategy (MTFS) was approved by Council on 10th February 2022. This included a collection fund deficit for business rates which was broadly offset by a surplus on council tax, the net impact being a surplus of £120,000.
19. Since the budget was set, the war in Ukraine has had an impact on finances across the world, with inflationary pressures being felt in all services. The Second Quarter report to Cabinet requested additional funding from reserves for £5m of inflationary pressures relating to Highways and Transport in particular.
20. In setting the budget, the risk assessment of general balances required £54m to meet all estimate high and medium risks. General balances were £47.3m as of 31st March 2022 and the budget for 2022/2023 includes a contribution of £5m to bring them closer to the amount needed in the risk assessment. This will ensure that we remain financially resilient and maintain a balances budget in line with our statutory duties.
21. The Council is also closely monitoring its cashflow position to ensure that there are sufficient funds available to meet its financial obligations. The decision has been taken to hold cash in short-term investments so that the Council has the ability to respond rapidly to any situation in an uncertain and changing environment.

22. Whilst there is a high degree of inherent uncertainty relating to future funding levels, However, the Council has resilience in terms of budgetary planning, proven financial management arrangements, available reserves, and cash flow to March 2023 and that it is appropriate to use the going concern basis in the preparation of the 2021/2022 financial statements.

Pension Fund

23. The Pension Fund performed well and increased in value in 2021/2022. The Fund achieved a return of 12.2% over the year, generated principally by the Fund's equity investments, despite high inflation and the Russian invasion of Ukraine in February 2022 affecting the global economy. The Fund was valued at £6,832.7 million on 31 March 2022.

Format of the Statement of Accounts

24. We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future.
25. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 276065.
26. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

Equalities Implications

None

Legal Implications

None

Resource and Value for Money Implications

None

Risk Implications

None

Climate Change Implications

None

List of Background Documents/Appendices:

Appendix 1 – Draft Statement of Accounts for 2021/2022

Contact Details

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